

**STATE OF MICHIGAN
CHIEF FINANCIAL OFFICERS' COUNCIL
Summary of April 17, 2008 Meeting**

The second meeting of the Chief Financial Officers' (CFO) Council for calendar year 2008 was held at 10:00 a.m., Thursday, April 17, 2008, in the Michigan Room, Romney Building.

CFO Council members in attendance:

David Bruce – Agriculture
James Selleck – Attorney General
Mark Freeman – Auditor General
Carol Vargovich – Civil Service
James Kasprzak – Environ. Quality
Janet Laverty – History, Arts & Libraries

Palmer Giron – Information Technology
E. Ronald Stadnika – Judiciary
Allan Pohl – Labor & Economic Growth
Minesh Mody – MI Economic Dev. Corp.
Joe Pavona – State
Ed Timpf – Transportation

Other attendees:

Laura Hirst – Auditor General
Raj Mehta – Civil Rights
Lyle Ross – Community Health
Mike Draschil – Corrections
Craig Thurman – Education
Russ Hecko – Human Services
Lorie Blundy – Legislative Ret. Services
Patricia Lack – Management & Budget
Al Christian – Military & Vet. Affairs

Amy Henderson – Natural Resources
Laura Mester – OFM
Michael Moody – OFM
Doug Ringler – Office of State Budget
Bryan Weiler – Office of State Budget
Gena Hyde – State
James Horsch – State Bar of Michigan
Sherri Irwin – State Police
Suzie Nichols – Treasury

Mike Moody, Director of the Office of Financial Management (OFM) and Chair of the Council, welcomed the group. There were no additions to the agenda. There was one change to the agenda. Mike will give the Payroll and Tax Reporting Division Update in Ruth's absence. Doug Ringler is the new Director of the Office of Internal Audit Services in the Budget Office and will be attending our CFO meetings to keep us updated. The Support Services Division Director position will be left vacant for a time.

Accounting Consolidation Update

Mike gave an update on the accounting consolidation efforts. The State Budget Office is getting close to finalizing its implementation strategy. We hope to define the scope narrowly, but still comply with the Executive Order and are working through that

process which will result in efficiency and effectiveness by streamlining coding and processes. Mike added that, although rumors were circulating that the Executive Order would be rescinded, he did not think that was likely to occur.

Statewide Single Audit

Mike reported that he had been involved in additional discussions with the Office of the Auditor General (OAG) regarding creation of a workgroup to analyze and make recommendations regarding the issue of a statewide single audit. The outcome of those discussions is that the OAG believes that participation on such a workgroup would impair its independence. Therefore, the OAG will not be participating in the workgroup, but is supportive of OFM's decision to move forward with creating a workgroup. In response to Mike's request for volunteers, Janet Laverty, Al Pohl, and Ron Stadnika offered to participate on the workgroup. Mike also asked Amy Henderson to confirm Joe Frick's interest and suggested that DHS and DCH have someone participate. Russ Hecko and Lyle Ross said they would get back to Mike. Doug Ringler indicated that he would name someone to represent the Office of Internal Audit Services.

Office of the Auditor General – New Risk Assessment Standards

Laura Hirst informed the group that the AICPA issued new audit standards in March 2006 that are effective for fiscal year 2008 financial audits, including the next round of single audits this fall. With these new standards, the auditors will obtain a better understanding of your agency. The auditors will need to identify risks that affect the agency and will constantly be assessing the risks found at the beginning of your audit. Once the auditors identify high risk areas, testing of controls will be focused in those areas. During the planning process, OAG will be asking more questions, inspecting documents, doing more testing, and conducting walk-throughs of your processes and procedures. There are stricter guidelines for performing and documenting these audit procedures, which will involve more work and time, and they anticipate the IT systems is where they will be spending most of their time. Implementation has started and they have worked a lot with DIT. The IT auditors are using FISCAM. They hope to be testing the design implementation by summer. OAG is trying to minimize the impact of this and ask that you prepare staff regarding the walk-throughs and the request to provide documents and procedures on your business processes. This pertains to SAS 104-111. Feel free to call Laura Hirst at 517-334-8050 with any questions you may have.

Internal Audit Consolidation – Office of the State Budget

Doug Ringler reported on the current status of the internal audit consolidation. The Office of Internal Audit Services is comprised of 55 positions, including a few vacancies. Organizationally, departments have been grouped into divisions based on programmatic similarity, making up four silos to allow staff from different

departments that do similar types of audit to network and improve audit efficiency. There is a line item in each department's budget for internal audit services to fund these expenditures. We are working with Maximus to receive federal approval to move these appropriations into the State Budget Office and out of the departments. OIAS is working on merging the ICE process with what the OAG is doing with the new risk assessment standards and using their tools so as not to duplicate efforts in obtaining internal control coverage. We will be providing training to the agencies regarding information technology and non-IT internal controls. Service Level Agreements regarding internal audit services will be sent soon for agency review and meetings will be scheduled to discuss any issues.

BRIEFINGS AND REPORTS TO CFOs

OFM Accounting and Financial Reporting Division Update

Laura Mester, AFR Director, stated Tim Becker is working on the object code standardization project and the development of a procedure regarding the use of these objects. A workgroup will be established for the procedures component. The year-end closing schedule for 2008 is scheduled for distribution the end of May. Staff is working with the stakeholders on the due dates with the anticipation we will be issuing the CAFR in December. There are four GASB implementations, one involving the sale of pledges of future revenues which may impact agencies. We received the 2008 SWCAP approval.

OFM Payroll and Tax Reporting Division Update

In Ruth's absence, Mike updated the group on payroll and tax reporting issues. In response to agency requests, OFM is now providing quarterly reports of outstanding payroll warrants to give agencies an opportunity to contact employees before the warrants are escheated. Agencies can also request lists of outstanding payroll warrants on an ad hoc basis. We are in the early planning stage for an upgrade to the HRMN system. The current system will be decommissioned in June 2009 and an upgrade is needed to maintain support of the software. We are working with DIT and the Civil Service Commission to start the upgrade in January for completion by June. There will be no significant changes to the functionality of the system. Office of Retirement Services issued a brochure on the Roth 401(k) available through payroll deduction. Phase I of the Time and Expense Project, the DCDS PowerBuilder Upgrade and 25 fixes, will go to BETA testing and full production in May. The kick-off for Phase II (Expense Light) was held on April 8. Expense Light is slated for implementation in January 2009.

OFM Support Services Division Update

Bryan Weiler reported on the changes in the Security Management and Audit Analysis Section of the Support Services Division. Cindy Liu and Marjory Smith will continue processing the security requests but now report to Jane Paxton on the Help Desk. Changes will be made to the Financial Management Guide. The Agency Security Administration meetings and Business Objects workgroups fall under the OFM Help Desk also. The audit analysis portion including the 60-day responses for the OAG reports continue to be processed by Bryan, April Malinowski and Tim Kubu now housed under the Office of Internal Audit Services. Staff has been on-site to four agencies and hopes to distribute the ICE report in May. They are also working on a report on payments that by-pass the vendor file. The Help Desk is taking efforts to convert phone calls to an email account. The Contract and Payment Express web site has undergone some changes. New key words have been added and the FAQs changed slightly. The welcome page will have a link so you will be able to access your own information.

CFO Member Roundtable Discussion

Al Pohl asked if any other agency was experiencing problems with their head count and the new delegated authority. No departments indicated problems. Mike noted that most departments are under their caps but a request can be submitted to the Budget Office Director to consider increasing the cap.

The meeting adjourned at 11:00 a.m.

Next meeting: Thursday, July 17, 2008 – 10:00 a.m.

The Michigan Room, 1st Floor, Romney Building

Summary prepared by:

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